

Fairfax County Economic Index

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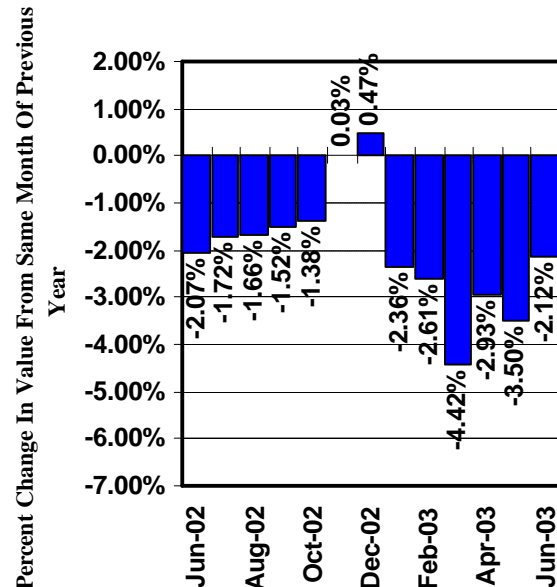
August 2003

June Economic Indicators Show Improvement and Point To Further Growth

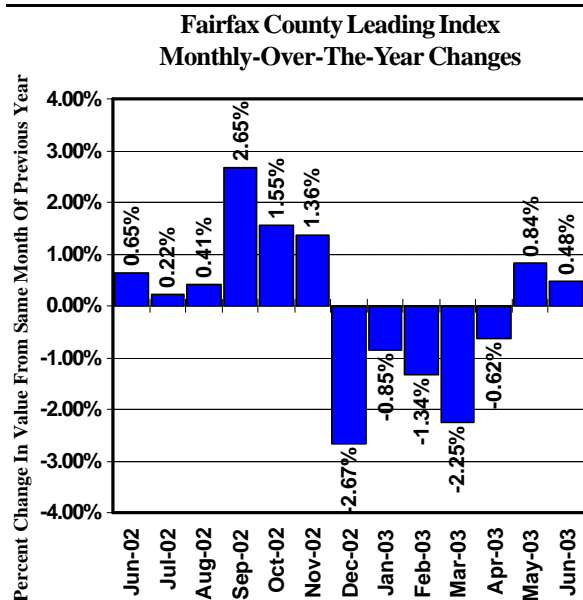
The **Fairfax County Coincident Index**, which represents the current state of the County's economy, increased in June to 123.7, for a gain of 0.85 percent. With this gain, the Index has been positive in three of the last four months. However, it remains 2.1 percent below its value in June 2002. Still, the Index's recent performance has been significantly better than during the second half of 2002 and into early 2003. In June, three of the Index's four components were positive.

- Total employment increased for a fifth consecutive month;
- Sales tax collections, adjusted for inflation and seasonal variation, increased in June following two monthly declines; and,
- Consumer confidence (in the present) increased sharply and has been up in two of the last three months; while,
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, declined for the third time in the last four months.

**Fairfax County Coincident Index
Monthly Over-The-Year Changes**



Source: Center for Regional Analysis, George Mason University



Source: Center for Regional Analysis, George Mason University

The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy nine to twelve months in advance, retreated slightly in June to 104.1, for a 0.08 percent decline from May. This marginal decrease follows two monthly gains. For the twelve-month period ending in June, the Leading Index is up 0.5 percent. In June, decreases in three of the Index's five components contributed to its decline.

- Residential building permits decreased in June for the second time in three months;
- The total value of residential building permits fell after registering a strong gain in May; and,
- Consumer expectations (consumer confidence six months hence) decreased following strong gains in April and May; while,
- Initial claims for unemployment insurance fell (improved) for the second month in a row; and,
- New automobile registrations increased after declining sharply in May.

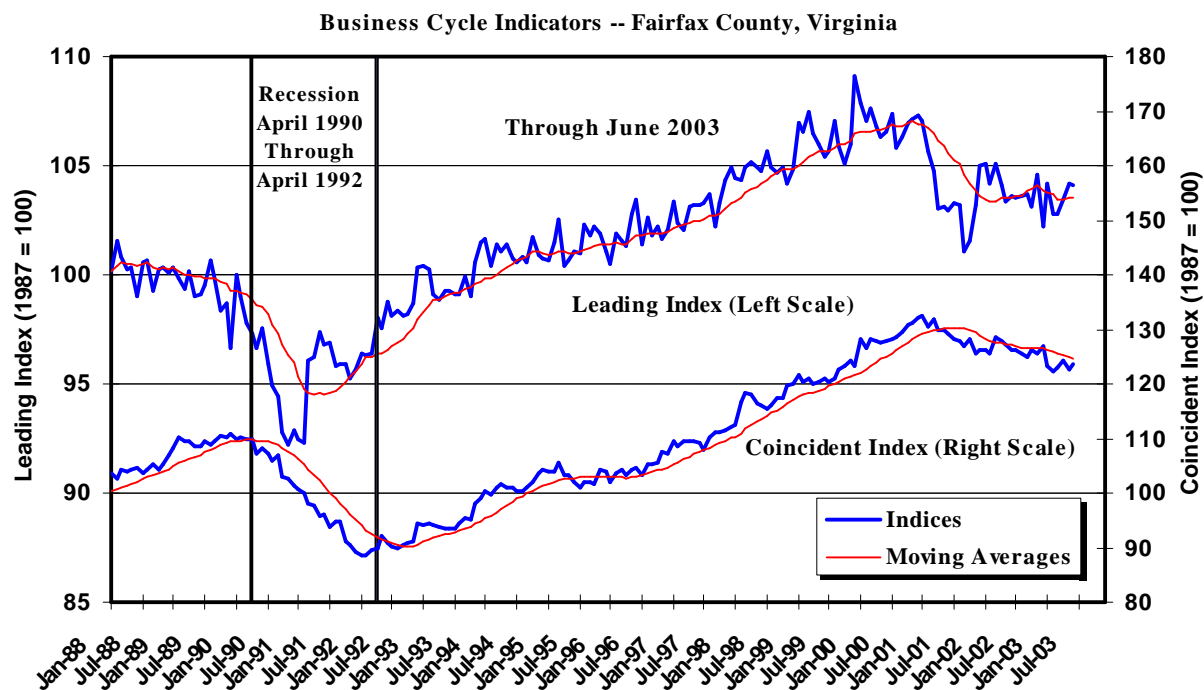
At mid-year, the Fairfax County economy has overcome the beginning-of-the-year weaknesses that pushed the Coincident Index lower and has shown growing signs of strength in the second quarter. The Leading Index has exceeded same-month values over 2002 in both May and June and is providing a clear indication that the County's economy can be expected to accelerate over the second half of the year.

CURRENT CONDITIONS

The Fairfax County economy has struggled with consistency over the year's first half. The consistent condition over this period has been its ability to generate new jobs and reduce unemployment. The principal inconsistency has been on the consumer spending side of the economy. In spite of an improved labor market, consumer spending is seesawing from one month to the next.

The labor market has gained strength since January. Job growth has ranged up to 10,000 on a monthly over-the-year basis or 1.5-2.0 percent growth. Unemployment has declined. In June, the County's seasonally adjusted unemployment rate of 2.3 percent compared favorably with the metropolitan area rate of 3.7 percent and the national rate of 6.4. And, this June's unemployment rate was down from 3.0 percent in June 2002. Additionally, initial claims for unemployment insurance have fallen in four of six months in 2003 and stand 13 percent below their level in June of 2002. This downward trend indicates lay offs are slowing and new job formation has been sufficient to reduce unemployment. More jobs translate into an expanding economy with more disposable income.

Due to weak and declining consumer confidence, which was undermined during the winter months by the cold and wet weather and then depressed further by the anxieties associated with the threats of terrorism and war in Iraq, consumer spending has not been as strong as the economy could support based on job and income growth. Retail spending declined in four of the year's first six months and automobile sales were



Source: Center for Regional Analysis, George Mason University

down in three. June's consumer spending represented a major improvement with automobile sales up 16.7 percent and sales tax collections gaining 2.8 percent. Both were up from their values in June of 2002.

The hospitality industry, as measured by the transient occupancy taxes it generates, is still not fully recovered from 9/11, rising energy prices, fears of flying and of terrorism and the national economy's general weakness. While tax collections in June were off from May (May is typically the best month for tourism for the year in the Washington area), they were only off slightly from June 2002. Still, the weakness in the hospitality industry is indicative of continuing challenges that the economy will have to overcome before it can achieve its full growth potential.

NEAR-TERM OUTLOOK

The Leading Index has seesawed since last December and has now moved above same-month 2002 values in May and June. While the Leading Index is still not increasing rapidly, it appears to have found a new bottom and is consolidating in preparation for renewed and more con-

sistent growth. With substantial fiscal and monetary stimuli impacting the national economy's performance and large doses of federal spending supporting the Washington area economy's expansion, the forecast for the County for the coming six months is for accelerating growth. These gains will bring consumer spending in line with growth in jobs and income.

Before the economy can achieve this sustained acceleration, stability will have to return to the conditions that have undermined consumer confidence. Already, the financial markets seem to have gained a new bottom and investors are optimistic. Favorable resolution to other uncertainties will be required before consumer spending regains its momentum. Increased business confidence and spending for technology and other capacity building upgrades will be critical to sustaining the expansion.

The economy appears ready to move into a growth mode during the third and fourth quarters; it started slowly in the first quarter and will end with a solid performance during the fourth quarter setting the stage for a strong performance extending over the full year of 2004.

Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Jun-03 Prelim.	May-03 Final	Jun-02 Final	May-03 to Jun-03	Jun-02 to Jun-03
Fairfax County Business Cycle Indicators					
Coincident Index (1987 = 100)	123.69	122.65	126.37	0.85	-2.12
Leading Index (1987 = 100)	104.11	104.19	103.61	-0.08	0.48
Fairfax County Coincident Index Components					
Total Covered Employment (Seasonally Adjusted)	583,325	582,113	573,463	0.21	1.72
<i>Total Covered Employment (Unadjusted)</i>	<i>590,237</i>	<i>582,794</i>	<i>580,259</i>	<i>1.28</i>	<i>1.72</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	296	333	300	-10.96	-1.14
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>539</i>	<i>549</i>	<i>529</i>	<i>-1.73</i>	<i>1.97</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	8,065	7,842	7,235	2.84	11.46
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>11,185</i>	<i>10,265</i>	<i>9,965</i>	<i>8.96</i>	<i>12.24</i>
South Atlantic Consumer Confidence	98.2	81.1	130.0	21.09	-24.46
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	5,715	4,899	5,386	16.66	6.12
<i>Automobile Registrations (Unadjusted)</i>	<i>6,437</i>	<i>4,840</i>	<i>6,066</i>	<i>33.00</i>	<i>6.12</i>
Initial Unemployment Claims (Seasonally Adjusted)	1,579	1,678	1,816	-5.87	-13.05
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>1,499</i>	<i>1,537</i>	<i>1,724</i>	<i>-2.47</i>	<i>-13.05</i>
<i>South Atlantic Consumer Expectations (Unadjusted)</i>	<i>95.7</i>	<i>102.5</i>	<i>112.9</i>	<i>-6.63</i>	<i>-15.23</i>
Residential Building Permits (Number of Units, Seasonally Adjusted)	302	328	510	-7.94	-40.73
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>342</i>	<i>346</i>	<i>577</i>	<i>-1.16</i>	<i>-40.73</i>
Residential Building Permit Value (\$'000='87, Seasonally Adjusted)	24,167	28,206	18,599	-14.32	29.94
<i>Residential Building Permit Value (\$=Current, Unadjusted)</i>	<i>50,057</i>	<i>50,894</i>	<i>37,348</i>	<i>-1.64</i>	<i>34.03</i>
Fairfax County Labor Force					
Total Labor Force (Seasonally Adjusted)	574,255	572,774	567,431	0.26	1.20
<i>Total Labor Force (Unadjusted, Revised By BLS)</i>	<i>583,122</i>	<i>575,054</i>	<i>576,193</i>	<i>1.40</i>	<i>1.20</i>
Unemployment Rate (Percent, Seasonally Adjusted)	2.29	2.50	2.97	--	--
<i>Unemployment Rate (Percent, Unadjusted, Revised By BLS)</i>	<i>2.65</i>	<i>2.52</i>	<i>3.32</i>	<i>--</i>	<i>--</i>

Notes: Where available, seasonally adjusted estimates are used in the indices. In addition, those expressed in dollar value (Building Permit Value, Transient Occupancy Tax, and Sales Tax) are expressed in constant 1987 dollars. Initial Claims are inverted prior to inclusion in the Leading Index; that is, an increase in claims results in a decrease in the index and visa versa. Because of its quarterly collection schedule, the Transient Occupancy Tax is smoothed. Unadjusted data (*italics*) and Fairfax County Labor Force data are not included in either index, but are shown for informational purposes. All percent changes are calculated from unrounded data.

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We are on the web at:
**[www.co.fairfax.va.us/comm/
economic/economic.htm](http://www.co.fairfax.va.us/comm/economic/economic.htm)**

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